

ILLINOIS-AMERICAN WATER COMPANY

CAPM Cost Estimate

| <u>Line</u> | <u>Description</u> | <u>Historical Premium</u> |
|-------------|--------------------|--------------------------------|
| 1 | CAPM | 9.9% |
| 2 | Rf | 6.0% |
| 3 | Risk Premium | 7.0% |
| 4 | Beta | 0.55 |
| | | <u>Prospective Premium</u> |
| 5 | CAPM | 10.3% |
| 6 | Rf | 6.0% |
| 7 | Risk Premium | 7.8% |
| 8 | Beta | 0.55 |
| 9 | CAPM Average | 10.1% |

Sources: 1) Value Line Investment Survey, dated May 5, 2000
2) Blue Chip Financial Forecast, August 1, 2000